

**Summary: House Recommendation
HIGHER EDUCATION FY 2003-04
House Bill 4396 (H-1)**



**Analyst: Hank Prince
Telephone: 373-8080**

Budget Overview

The higher education budget currently provides funding for the operational needs of state universities, need-based and merit-based financial aid programs for college students, grants for independent colleges and universities, and support for statewide programs. General Fund/General Purpose monies account for 95% of the funding sources for this budget.

Summary of Major Budget Issues

State University Operational Funds – The Executive budget proposed an across-the-board reduction of 6.74% from current-year levels. The H-1 substitute provides differential cuts ranging from 5.45% to 6.74%.

Statewide Programs – Included in the Executive budget was \$64.7 million, a reduction of nearly \$7 million in support of these programs. The H-1 substitute restores \$82,500 for Midwest Higher Education Compact dues and \$150,000 for the Japan Center.

Michigan Merit Awards – Funding for this program was recommended at \$65.1 million to support awards for graduating high-school seniors from the classes of 2000 through 2003 who achieved qualifying scores. Awards for recipients from the class of 2004 would be funded in the FY05 budget. The H-1 substitute adds \$60 million to the Executive recommendation for the first half of payments for the class of 2004 Award recipients.

Tuition Incentive Program (TIP) – The Executive recommends an increase of \$4 million in this program targeted at low-income Medicaid-eligible students to address increased participation rates and higher college costs. The H-1 substitute does not concur.

Other Financial Aid Programs – The Executive proposed elimination of seven financial aid and grant programs and the creation of a new needs-based Michigan Opportunity Scholarships program, which would absorb nearly all of the funding currently directed to five of the seven programs proposed for termination. The H-1 substitute retains the State Competitive Scholarship, Tuition Grant, and MEOG programs and moves the funding for Adult Part-time grants into the retained Michigan Work-Study program.

MPERS Contribution Subsidy – The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPERS system. The subcommittee concurs, thus enabling MPERS contribution rates to be frozen at their current-year levels.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 3/6/03)	Executive	House (H-1)	Senate	Enacted	Difference: H-1 to 2002-03 YTD Amount %	
IDG/IDT	\$0	\$0	\$0			\$0	0.0
Federal	5,500,000	4,400,000	4,400,000			(1,100,000)	(20.0)
Local	0	0	0			0	0.0
Private	0	0	0			0	0.0
Restricted	84,534,802	78,350,000	138,350,000			53,815,198	63.7
GF/GP	1,741,466,933	1,632,687,000	1,632,687,000			(108,779,933)	(6.2)
Gross	\$1,831,501,735	\$1,715,437,000	\$1,775,437,000			(56,064,735)	(3.1)
FTEs	1.0	0.0	1.0			0.0	0.0

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>	<u>YTD FY 2002-03</u>	<u>House (H-1) Change</u>
--	----------------------------------	--------------------------------------

1. State Universities - Operations

The Executive proposed elimination of Merit Award Trust Fund monies to support base state appropriations and reduced the total appropriation by 6.74%. The H-1 substitute provides for differential cuts ranging from 5.45% to 6.74% based on relative placement of a university in the four funding floors.

Gross	\$1,558,942,342	(\$101,006,842)
Restricted	8,077,436	(8,077,436)
GF/GP	\$1,550,864,906	(\$92,929,406)

2. Statewide Programs

Three statewide programs (Rare Isotope Accelerator, the Japan Center, and the Midwest Higher Education Compact dues) would not be supported in FY2004 under the executive budget.

Gross	\$71,633,375	(\$6,741,275)
Restricted	2,260,887	(2,260,887)
GF/GP	\$69,372,488	(\$4,480,388)

The Agricultural Experiment Station (AES), the Cooperative Extension Service (CES), and Project GREEN (whose funding is partially included in AES and partially in CES) would receive 93.3% of FY2003 funding.

Support for the higher education database (HEIDI), housed in the Center for Geographic Information, would be trimmed by 17.1% as part of state agency administrative savings.

The House substitute restores funding for the Michigan Higher Education Compact dues (\$82,500) and provides funding, at a reduced level, for the Japan Center.

3. Michigan Merit Award Program

The Executive budget added a 1.2% increase in restricted-dollar funding to support residual payments for the classes of 2000 through 2003.

Gross	\$64,323,850	\$60,776,150
Restricted	64,323,850	60,776,150

The Executive proposed that these awards be reduced from \$2,500 to \$500 for high school graduation classes beginning with the class of 2004. Payment of awards for that class would have been funded in the FY05 budget.

The H-1 substitute concurs with the Executive recommendation of additional funding for the classes of 2000 through 2003, but adds \$60 million as an estimated amount for the first half of Award payments for the class of 2004 recipients.

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>House (H-1) Change</u>
4. <i>Michigan Opportunity Scholarships</i>		Gross	\$0
The Governor proposed a new scholarship program that would replace five of the seven financial aid and grant programs (described below). The new program would be needs-based and provide support for in-state use of these scholarships at a public or independent college or university.		Federal	0
		GF/GP	\$0
Under a phase-out plan, current recipients of state competitive scholarships and tuition grant programs would continue to receive funding as long as they remain eligible. FY 04 funding for this initiative would be slightly less than the FY 03 aggregate of the five financial aid programs.			
The House substitute does not provide funding for this proposed program.			
5. <i>State Competitive Scholarships</i>		Gross	\$35,993,486
Under the Executive budget, this program, which provides support to students attending a public or independent college or university and which is needs- and merit-based, would be eliminated, and the funding transferred to the Michigan Opportunity Scholarship program. The House substitute retains this program at its FY 2002-03 level.		Federal	3,600,000
		Restr	165,273
		GF/GP	\$32,228,213
			\$14
			(700,000)
			3,834,727
			(\$3,134,713)
6. <i>Tuition Grants</i>		Gross	\$64,778,121
This program, which provides support to students attending only an independent college or university and which is needs-based, would be eliminated under the Executive budget, and the funding transferred to the proposed Michigan Opportunity Scholarship program. The House substitute retains the program but deletes use of Merit Award Trust Fund monies.		Restr	330,501
		GF/GP	\$64,447,620
			(\$330,421)
			(330,501)
			\$80
7. <i>Michigan Work-Study Program</i>		Gross	\$7,855,475
Financial support for this program, which provides support to students attending a public or independent college or university at least half-time and which is needs-based, would be eliminated, and monies would be transferred to the proposed Michigan Opportunity Scholarships (MOS) program. Instead, the House substitute moves funds from the Adult Part-time Grant program to this program.		Restr	40,079
		GF/GP	\$7,815,396
			\$1,692,425
			(40,079)
			\$1,732,504

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>House (H-1) Change</u>
8. <i>Adult Part-time Grant</i>	Gross	\$2,844,937	(\$2,844,937)
The Executive proposed termination of funding for this program, which provides support to students attending a public or independent college or university and which is needs-based, and the transfer of monies to the proposed Michigan Opportunity Scholarship(MOS) program. The House substitute transfer these funds to the Michigan Work Study program.	Restr	14,515	(14,515)
	GF/GP	\$2,830,422	(\$2,830,422)
9. <i>Michigan Education Opportunity Grants (MEOG)</i>	Gross	\$2,234,692	(\$11,392)
Funding for this program, which provides support to students attending a Michigan public community college or university and which is needs-based, would be eliminated under the Executive budget and monies transferred to the proposed Michigan Opportunity Scholarship program. The House substitute retains this program.	Restr	11,402	(11,402)
	GF/GP	\$2,223,290	\$10
10. <i>General Degree Reimbursement Grants</i>	Gross	\$5,967,611	(\$5,967,611)
The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates. The House substitute concurs with the Executive on the reduction in funding but adds conditional language concerning the grants if funding is restored at some future time.	Restr	30,921	(30,921)
	GF/GP	\$5,936,690	(\$5,936,690)
11. <i>Allied Health Degree Reimbursement Grants</i>	Gross	\$902,397	(\$902,397)
The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates in allied health programs. The House substitute concurs with the Executive.	Restr	4,676	(4,676)
	GF/GP	\$897,721	(\$897,721)
12. <i>Dental Clinics Grant</i>	Gross	\$4,875,449	(\$328,449)
The governor proposed retention of the dental clinics grant to the University of Detroit-Mercy for provision of dental services to low-income recipients in southeastern Michigan. The House substitute concurs with the proposed reduction in funding.	Restr	25,262	(25,262)
	GF/GP	4,850,187	(303,187)
13. <i>Byrd Scholarship Program</i>	Gross	\$1,900,000	(\$400,000)
Due to reduced federal funding, the Executive budget reduces this federally-funded scholarship program. The House substitute concurs.	Federal	1,900,000	(400,000)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>		<u>YTD FY 2002-03</u>	<u>House (H-1) Change</u>
--	--	----------------------------------	--------------------------------------

14. Tuition Incentive Program (TIP)

The Executive recommended an increase of \$4 million in this program that provides college financial assistance to low-income Medicaid-eligible students. The additional funding addresses increased participation rates and higher college costs. The House substitute maintains the existing funding.

Gross	\$5,250,000	\$0
Restricted	5,250,000	0

15. MPSERS Contribution Subsidy

The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. There is no appropriation required for this action to occur. The House subcommittee adds intent language in section 437.

Gross	N/A	N/A
Federal	n/a	n/a
Restricted	n/a	n/a
GF/GP	n/a	n/a

Major Boilerplate Changes from FY 2002-03:

Sec. 304. General degree reimbursement grant – REVISED

The Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House substitute revises subsections (1) and (2) and deletes the remaining subsections.

Sec. 305. Allied health degree reimbursement grant – DELETED

Language related to the allied health degree reimbursement grant program is deleted, since the Executive proposes repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House substitute concurs in the deletion of this section.

New Sec. 305. Michigan merit award program – NEW

The Executive proposes language that indicates that the FY04 appropriation provides support for awards for the classes of 2000 through 2003. Awards for the class of 2004 would be paid from the FY05 appropriation. The House substitute includes language related to the payment of the first half of the Class of 2004 awards from the appropriation inserted in part 1.

New Sec. 315. Dental clinics grant – NEW

The Executive adds language to specify that funds provided to the University of Detroit Mercy and previously listed as a dental degree reimbursement line item is intended to support dental clinical services (as the current appropriation does). The House substitute concurs.

Sec. 433. Project GREEN – REVISED

The Executive proposal reduces funding for Project GREEN. The House substitute concurs in the reduction amount.

Sec. 436. Tuition restraint – REVISED

Current law specifies a maximum resident undergraduate tuition and fee increase for FY03 of the greater of \$425 or 8.5%. The Executive proposes “reasonable” tuition increases without stating a limit either in dollar increase or in percent increase. The House substitute concurs.

Sec. 437. MPSERS contribution rate - NEW

The House substitute adds intent language related to use of a MPSERS stabilization subaccount to maintain the 2003-04 fiscal year contribution rate at the FY 2002-03 level of 12.99%.

Sec. 439. Report on smoking policy - NEW

The House substitute adds a requirement that any of the fifteen public universities that permit smoking in dormitories or residence halls shall report the reasons for that policy by December 1, 2003.